

TO: EXECUTIVE  
21<sup>ST</sup> JULY 2015

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**LOCAL COUNCIL TAX BENEFIT SCHEME (LCTBS)**  
**Director of Adult Social Care, Health and Housing**

**1 PURPOSE OF REPORT**

- 1.1 To seek Executive consideration of a review of the Local Council Tax Benefit Scheme (LCTBS) and as such to agree consultation on the elements of the scheme it wishes to review.

**2 RECOMMENDATIONS**

- 2.1 That the Executive agrees to review the LCTBS for working age households including the following key elements:
- 2.1.1 That working age households will receive a maximum of 80% of LCTBS support to help pay their Council Tax liability
- 2.1.2 That working age households income disregards will be increased so that they get to keep more of their income such that:
- 2.1.2.1 a single person disregard will increase from £5 a week to £10;
- 2.1.2.2 a couple from £10 to £15 a week;
- 2.1.2.3 a single parent from £25 to £30 a week.
- 2.1.3 That self employed income is taken as minimum wage at 35 hours a week from 12 months after the customer for LCTB becomes self employed;
- 2.1.4 That child maintenance should be taken into account when calculating household income;
- 2.1.5 That a transition scheme will be established for households who face financial hardship due to changes implemented following the review of the scheme;
- 2.1.6 That subject to the elements agreed above a consultation programme takes place so as to inform the LCTBS to be implemented for 2016/17;
- 2.1.7 To note that it may be necessary to revise the LCTBS in line with the roll out of Universal Credit (UC).

**3 REASONS FOR RECOMMENDATIONS**

- 3.1 The Council established its Local Council Tax Benefit / Reduction Scheme in 2013/14. At the time the Council benefitted from a transitional Government grant of £119,000 to wards the costs of the scheme. That grant has subsequently been withdrawn.

- 3.2 As the scheme has now been running for two financial years the time is right to undertake a review to ensure that the Council is providing community leadership and value for money. Moreover, as national welfare reform progresses it is necessary to ensure that the Council's scheme responds to any changes that may arise. The Council's current scheme can be seen as generous in the level of support it provides to customers compared to schemes provided by other councils.

#### 4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 It could be decided not to review the LCTBS. However, this would deny the opportunity to review the scheme in the light of the Council's policy priorities and the budget setting process for the next financial year.

#### 5 SUPPORTING INFORMATION

- 5.1 The Welfare Reform Act 2012 abolished the national Council Tax Benefit Scheme thus paving the way for localised schemes. The Local Government Finance Act 2012 makes provision for the localisation of Council Tax Support in England by imposing a duty on all billing authorities to make a localised Council Tax Reduction Scheme by the 31 January 2013 and to consult with major precepting authorities and such other persons as it considers likely to have an interest in the scheme about the scheme. The Local Government Finance Act prescribes certain classes or groups who must receive reductions. This includes classes of eligible pensioners based on the same factors that have determined pensioner eligibility and award under the Council Tax Benefit System. The proposals contained in this report refer to the local scheme that will affect working age households.

- 5.2 The following table sets out the budget for the LCTBS in 2015/16:

<b>Precepting authority</b>	<b>£'s</b>
Bracknell Forest Borough Council	3,842,281
Thames Valley Police Authority	574,963
Thames valley Fire authority	213,056
Parish Councils	248,726
<b>Total</b>	<b>4,879,026</b>

- 5.3 Any change in the scheme will lead to less or more reductions for customers and as such will either reduce or increase the costs of the scheme. The reductions in the costs of the scheme will accrue proportionately to the precepting authorities. For example Bracknell Forest Council provides £3,842,281 to the total scheme value of £4,879,026 which equates to 78.75%. Therefore, any reduction to the cost of the scheme will accrue to the Council on that basis. The same approach will apply to any decisions that will result in increased support.

#### **Proposed changes to scheme**

- 5.4 The following proposals and consequential financial impact is based on modelling the LCTBS caseload as at April 2015. As this is a snapshot the impact of any changes will change reflecting the circumstances of customers at the time the changes are implemented.

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- 5.5 The current LTBS provides a 91.5% reduction of Council Tax liability for working age households who are out of work (those households pay 8.5% of their Council Tax liability). For those households in work or with income above their applicable amount their Council Tax Reduction Benefit is reduced by 21% of the additional income they receive over their relevant applicable amount ( the basic needs allowance in £'s per week the Government thinks the household should have to live on). If all LCTBS customers had to pay at least 20% of their Council Tax liability in gross terms there would be a £296,923 reduction in cost of the scheme and that would equate to a £233,826 reduction for Bracknell Forest Council.
- 5.6 The current LCTBS disregards an amount of household income for working age working households before calculating income in comparison to their applicable amount. So as to incentivise work it is recommended that the disregards are increased as in the following table,

<b>Household type</b>	<b>Current disregard £'s per week</b>	<b>Proposed disregard £'s per week</b>
Single working person	5	10
Working couple	10	15
Lone parent	25	30
Disabled person	20	25

This proposal would have a gross cost to the scheme of £34,467 a year and a cost of £27,142 to Bracknell Forest Council.

- 5.7 A number of customers for the LCTBS are self employed yet their income is stated as being below the national minimum wage for the hours they work. Whilst this may be understandable when someone starts work on a self employed basis over time it is only to be expected that they would want to receive at least the national minimum wage for their work or otherwise they would seek alternative employment. Thus it is recommended that those customers of the scheme who have been self employed for a period of twelve months will be regarded as having income of the minimum wage for 35 hours a week. That will reduce the costs of the scheme in gross terms by £143,839 and the Bracknell Forest Council reduction would be £113,273.
- 5.8 Under the current scheme if a household receives Child Maintenance for a child that income is disregarded when calculating the household's income to establish the LCTBS support they should receive. Therefore, in effect such a household receives child maintenance in addition compared to a household who does not yet they both pay the same Council Tax under the LCTBS. It is recommended that child maintenance is taken into account when calculating household income. That reduction in support would equate to a gross reduction of £46,029 and a reduction for Bracknell Forest Council of £36,247.
- 5.9 The proposals would be cumulative in effect. Appendix A contains examples of the impact of changes on actual households.
- 5.10 If the Council is minded to make changes to its LCTBS it should consider the introduction of a transition scheme to offer additional support to households who may face financial hardship due to the changes. The Council already operates a hardship scheme for those households who face financial hardship due to a change in

household circumstances which affects their support from the LCTBS. The Council could consider reviewing this scheme as part of the consultation.

- 5.11 It is expected that Universal Credit (UC) will be implemented for single people making new out of work claims for financial support from September 2015. It is possible that the applicable amounts in UC will vary with those currently applied in housing benefit and used for the LCTBS. There may be other changes introduced as a consequence of UC. Therefore, it may be necessary to reflect changes in the 2016/17 LCTBS so that it is consistent with UC.

## **6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS**

### Borough Solicitor

- 6.1 The relevant legal provisions are contained within the main body of the report.

### Borough Treasurer

- 6.2 The relevant financial provisions are contained within the report.

### Chief Officer: Customer Services

- 6.3. Prior to the introduction of the 8.5% reduction in Council Tax support in 2013/14, the number of Council Tax accounts in arrears was 4,444 as at 31 March 2012. At the end of the first year of the current scheme the number of accounts in arrears increased by 34% to 5,785 accounts. A reduction in the support available through the LCTBS will undoubtedly increase the number of accounts in arrears even further.

The debts outstanding in respect of council tax support cases are currently an average of £90.00 per account and this means that arrears can often be recovered within one year, in many cases this is achieved by securing attachment to benefit orders. However, if these cases are to be expected to contribute 20%, the average debt would increase to £207.00. If certain customers continue not to engage or pay, the benefit deductions on the increased debt would take more than two years to clear one years worth of debt and therefore the arrears will escalate year on year.

The small decrease in the amount of support available has had a minimal impact on our overall collection rates to date; and other authorities that have also implemented an 8.5% cut have seen minimal impact in their collection. However, council's that have implemented a 20% cut in support have seen their collection rates decrease by up to 0.5% on average. For Bracknell Forest this percentage decrease in collection would equate to approximately £300,000 in additional bad debts and a requirement to increase the bad debt provision by at least £ 30,000. In addition to this, the workload of the team would increase further given that these debts will be more complex to administer and to collect, thus meaning that additional resource would be required in order to manage this.

### Equalities Impact Assessment

- 6.4 A full equalities impact assessment will be undertaken following consultation results.

### Strategic Risk Management Issues

- 6.5 It will be necessary for the Council to undertake consultation to ensure the impact of any proposed changes has been considered by the affected groups and that the Council takes into account the views of those affected before making any changes to the scheme.
- 6.6 The proposals identify the reduced cost of the LCTBS but when customers receive less support they will be required to pay the resulting Council Tax liability. The Council's ability to collect the liability will determine the ultimate total cost of the scheme when changes have been made.

## **7 CONSULTATION**

### Principal Groups Consulted

- 7.1 The purpose of this report is to seek authority to consult on a range of proposals to review the current LCTBS. Consultation will take place with the following groups:

Precepting authorities  
Thames Valley Police  
Berkshire Fire and rescue services  
Bracknell Town Council  
Binfield Parish Council  
Warfield Parish Council  
Winkfield Parish Council  
Crowthorne Parish Council  
Sandhurst Parish Council

Consultation will take place with customers of the LCTBS  
Consultation will take place with the wider community and interested groups such as Citizens advice Bureau

### Method of Consultation

- 7.2 Consultation will take place via meetings, correspondence and the Council's consultation on line portal.

### Background Papers

Reports from Northgate modelling software

### Contact for further information

Simon Hendey, Adult Social Care, Health & Housing - 01344 351688  
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## Appendix A

Household	Ctax liability £ for band C property	Total income £ per week	Current ctax payment after LCTBS current scheme £ per week	80% maximum support Ctax payment £ per week	Self employed at minimum wage Ctax payment £ per week	Child maintenance income included Ctax payment £ per week	Working income Disregards increased Ctax payment £ per week	Change £ per week from current scheme (percentage increase)
Lone parent working with one child	1239.07	237.70	3.66	8.39	N/A	N/A	7.34	3.68
Lone parent working receiving £ 100 a week child maintenance	1239.07	337.70	3.66	8.39	N/A	23.69	23.69	20.03
Couple working with two children	1239.07	390.05	16.71	21.44	N/A	N/A	20.39	3.68
Lone parent on job seekers allowance receiving £ 100 a week maintenance	1239.07	257.70	2.01	4.73	N/A	21.44	N/A	19.43
Couple self employed with one child	1239.07	184.60	2.01	4.73	18.53	N/A	17.48	15.47
Single person on employment support allowance and disability living allowance	1239.07	237.60	2.01	4.73	N/A	N/A	N/A	2.72
Single person disabled working and in receipt of disability living allowance	1239.07	262.55	15.82	20.55	N/A	N/A	19.50	3.68